

# Fairfax County Economic Index

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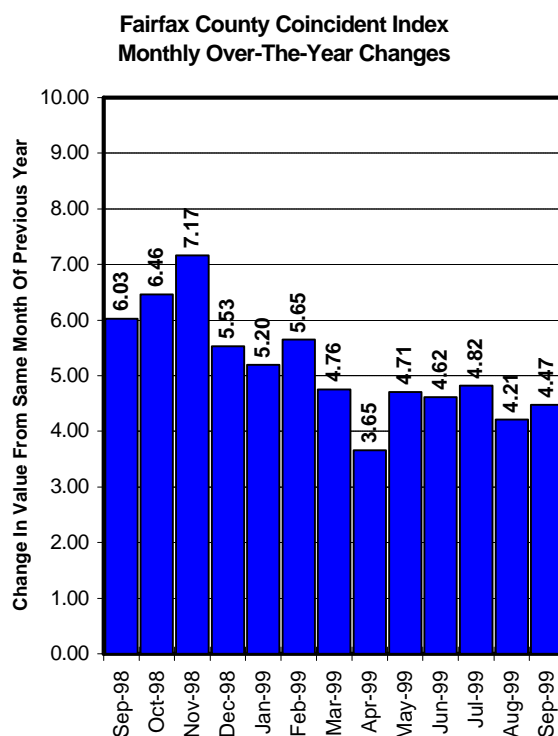
NOVEMBER 1999

## Economy Strong in September Leading Indicators Weaker

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased to 121.07 in September, up 0.53 percent. This is its second monthly increase following four consecutive monthly declines over the past six months. For the year, through three quarters, the Index is up 2.6 percent and has gained 3.8 percent since September 1998. The gains in the Index in August and September almost erased the losses experienced from April to July and reversed a slowing trend that seemed likely to continue into next year. In September, all four of the Index's components were positive.

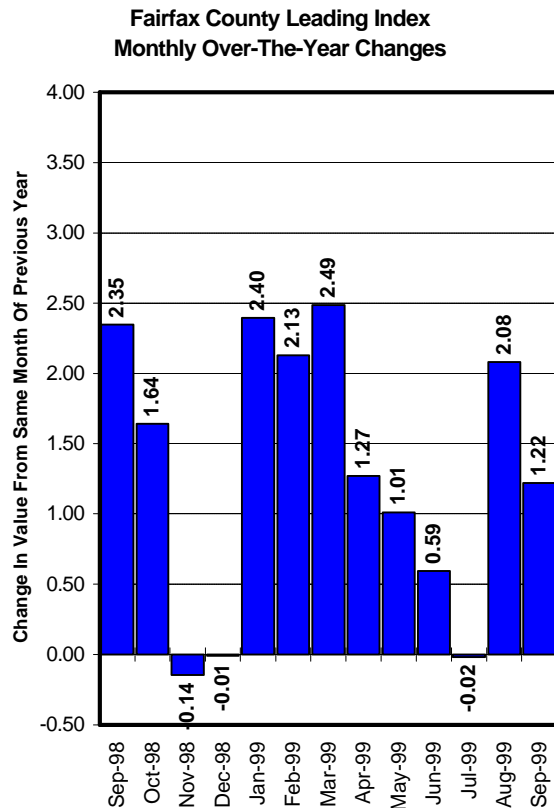
- Total employment increased slightly in September gaining for a third month in a row;
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for a second month;
- Consumer confidence increased reversing its decline in August; and,
- Sales tax receipts, adjusted for inflation and seasonal variation, increased following decreases in the preceding two months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance,



Source: Mason Enterprise Center, George Mason University

decreased in September to 105.81, a decrease of 1.03 percent from August. This decrease follows gains in July and August. With its loss in September, the Leading Index equaled its 12-month moving average and was no longer growing faster than its historic trend. Year-to-date, the Index is up just 0.96 percent and, for the past 12 months it is



Source: Mason Enterprise Center, George Mason University

up 1.2 percent. In September, four of its five components contributed to its decline.

- Initial claims for unemployment insurance increased (worsened) in September after having improved in both July and August;
- Residential building permits declined following two monthly gains;
- Consumer expectations (consumer confidence six months enhance) decreased for the second time in three months; and,
- The total value of residential building permits dropped for the fourth time in the last five months; while,
- New automobile registrations increased for the second month in a row.

The Fairfax County economy continued to perform strongly following its rebound in August after showing broad signs of deceleration since its strong

first quarter. With all four of its coincident indicators positive, the economy's September performance reflects its broad-based vitality. However, the leading indicators suggest that the economy may not be able to support as strong a growth rate in coming months with some softening of consumer spending likely in response to higher interest rates. These mixed signals showing the County economy to be performing well in the present but possibly weakening in coming months are consistent with the patterns presently found in the Washington metropolitan and national economies.

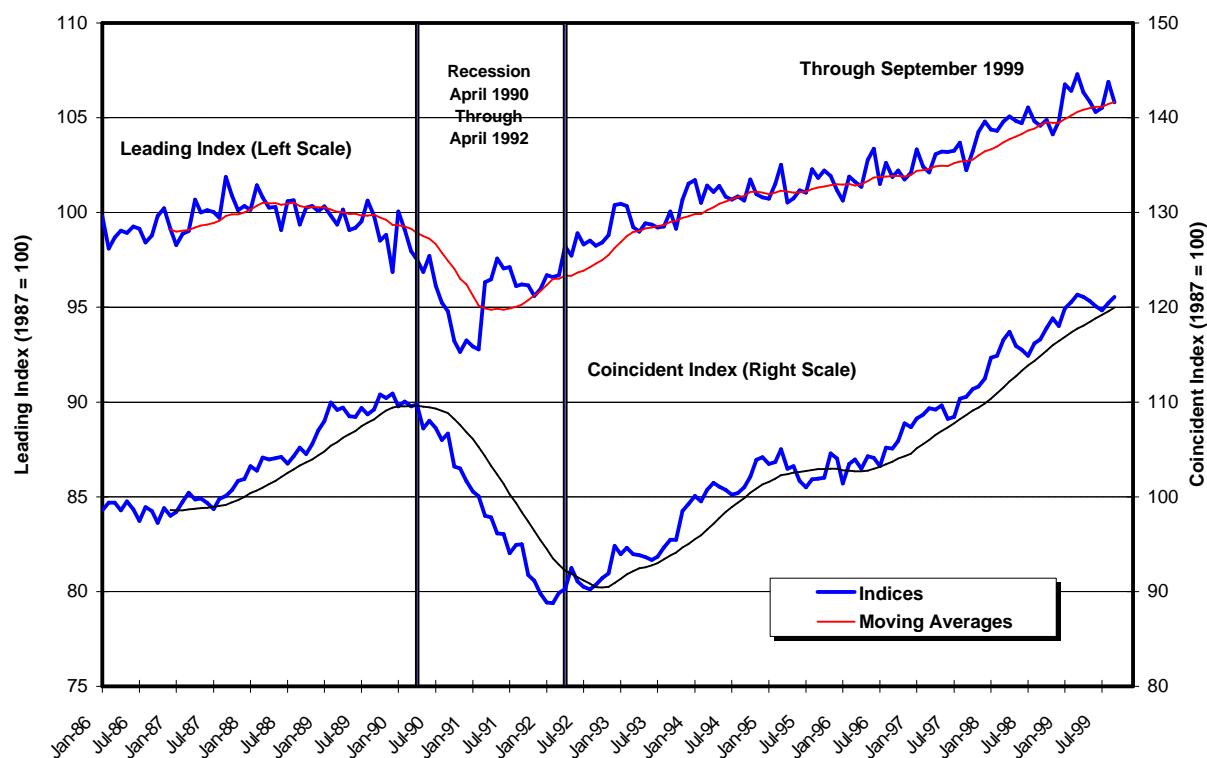
### *CURRENT CONDITIONS*

The best measure of the Fairfax County economy's performance over the past year is seen in the monthly over-the-year trend of the Coincident Index. These comparisons clearly establish the relative position of the economy in sequential 12-month periods. The pattern that is revealed shows a slow deceleration in the Coincident Index's growth rate since November 1998. The County economy is growing but its gains on a monthly over-the-year basis are trending lower at a very modest rate. Extending this pattern into the future will likely confirm that the last half of 1998 and the first quarter of 1999 was the peak period for the economy's performance since the 1990-1991 recession and that the subsequently slowing is being driven by limiting factors integral with the economy's long-term level of sustainable growth.

The key factors that will shape the County's economy in the short term are labor market conditions and consumer spending. While other factors are also important in the long run, such as capacity of the local infrastructure and quality of life, employment growth remains the force behind the expansion. September job growth in the County was up just 0.04 percent from August on a seasonally adjusted basis but showed a strong gain over-the-year of 4.8 percent representing the addition of 23,180 new jobs. The County's September job growth rate was more than double the 2.3 percent gain of the full Washington metropolitan area and accounted for 39.0 percent of the metropolitan area's 59,500 new jobs.

Maintaining this strong job growth into the future will be a challenge given the County's low 1.25 percent rate (seasonally adjusted) of labor force

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

growth over the past 12 months. Already, some signs that the labor market is weakening have appeared in recent months. At the County level, initial claims for unemployment insurance increased in September although they are lower still on a twelve month basis. At the metropolitan level, the Help Wanted Index has seesawed over recent months. These trends suggest lower future demand for labor with a moderate rate of increased unemployment likely next year.

Consumer spending drives a major segment of the local economy. With retail spending up by 19.1 percent (inflation adjusted) for the year ending in September, a rate almost double the national gain, it would appear that there is nothing to worry about. However, while consumer confidence has recovered since falling below its peak in July, it has been more volatile in recent months and consumer expectations have definitely softened. With three interest rate increases since June, consumer spending is likely to slow in coming months. Already, new home sales in the County have slowed with same-month sales falling below 1998 levels in both August and September. New residential building permits were also down

in September, although one month is not a trend. Additionally, this year's growth in retail spending is substantially outpacing gains in personal income and is being supported by increased borrowing and gains in unearned income, sources with vulnerabilities to changes in interest rates.

### NEAR-TERM OUTLOOK

The national and local economies continue to out-perform expectations. All indicators presently point to a strong fourth quarter following the economy's pick up in August and September. Still, the leading indicators (national, metropolitan, County) all point to slower future growth in September. This slowdown is expected in 2000 even though all the signs are not yet providing an unambiguous signal. This deceleration will be slow and hard to see in the data. Slower consumer spending and employment growth will confirm the slowdown after it has occurred. At this point, the interest rate sensitive sectors are beginning to show the first effects of slower growth and these are likely to spread into many of the remaining sectors during the coming six months.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Sep-99 Prelim.	Aug-99 Final	Sep-98 Final	Aug-99 to Sep-99	Sep-98 to Sep-99
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	121.07	120.44	116.60	0.53	3.84
Leading Index (1987 = 100)	105.81	106.91	104.59	-1.03	1.17
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	507,992	507,788	484,855	0.04	4.77
<i>Total Covered Employment (Unadjusted)</i>	<i>508,927</i>	<i>507,834</i>	<i>485,747</i>	<i>0.22</i>	<i>4.77</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	282	277	287	1.94	-1.66
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>484</i>	<i>491</i>	<i>484</i>	<i>-1.43</i>	<i>-0.08</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,621	7,774	7,238	10.89	19.11
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,948</i>	<i>9,531</i>	<i>8,941</i>	<i>14.87</i>	<i>22.45</i>
South Atlantic Consumer Confidence	186	184	179	0.98	3.80
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,966	5,962	6,307	16.84	10.46
<i>Automobile Registrations (Unadjusted)</i>	<i>7,922</i>	<i>6,740</i>	<i>7,172</i>	<i>17.54</i>	<i>10.46</i>
Initial Unemployment Claims (Seasonally Adjusted)	688	638	711	7.76	-3.19
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>576</i>	<i>589</i>	<i>595</i>	<i>-2.21</i>	<i>-3.19</i>
South Atlantic Consumer Expectations	114.5	118.4	105.0	-3.29	9.05
Residential Building Permits (Number of Units, Seasonally Adjusted)	597	1,145	448	-47.91	33.06
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>640</i>	<i>1,288</i>	<i>481</i>	<i>-50.31</i>	<i>33.06</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	30,216	41,470	35,712	-27.14	-15.39
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>46,744</i>	<i>71,783</i>	<i>54,370</i>	<i>-34.88</i>	<i>-14.03</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	548,116	538,832	539,277	1.72	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>562,929</i>	<i>545,166</i>	<i>553,851</i>	<i>3.26</i>	<i>1.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.23	1.47	1.33	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.59</i>	<i>1.83</i>	<i>1.69</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:  
**[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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